

## Message Text

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PAGE 01 OTTAWA 00741 282322Z

21

ACTION EUR-12

INFO OCT-01 ISO-00 COME-00 TRSE-00 OMB-01 CIEP-01 EB-07

TAR-01 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06

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FM AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: EFIN, SCUL, CA

SUBJECT: TIME-READER'S DIGEST TAX CHANGES

POUCHED TO ALL CONSULS IN CANADA

REF: OTTAWA 690

1. FOLLOWING IS TEXT OF CANADAIN PRESS ARTICLE FROM  
FEB. 28 TORONTO GLOBE AND MAIL ENTITLED "OTTAWA DETERMINED  
TO CARRY ON WITH MAGAZINE TAX LAW CHANGES";  
BEGIN TEXT. TAX LEGISLATION TO BE INTRODUCED WITHIN A  
FEW WEEKS WILL MAKE IT "EXTREMELY DIFFICULT"FOR THE  
CANADIAN EDITIONS OF TIME MAGAZINE AND READER'S DIGEST  
TO CONTINUE PUBLISHING, SECRETARY OF STATE HUGH  
FAULKNER SAYS.  
BOTH U.S.-OWNED MAGAZINES WILL FACE A SERIES OF STRINGENT  
OWNERSHIP, LICENSING, AND CONTENT REQUIREMENTS THAT WILL  
ALMOST CERTAINLY PROVE UNACCEPTABLE TO THEIR PUBLISHERS.  
MR. FAULKNER SAID.  
HE SAID THE GOVERNMENT IS DETERMINED TO PRESS ON  
WITH LEGISLATION TO ELIMINATE SPECIAL TAX STATUS  
FOR TIME AND READER'S DIGEST ADVERTISERS DESPITE  
A "MASSIVE LOBBY" BY THE PUBLISHERS TO SWAY PUBLIC  
OPINION AGAINST THE MOVE.

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PAGE 02 OTTAWA 00741 282322Z

THE IMPENDING LEGISLATION WILL HIT HARD AT PUBLISHERS'

HOPES OF HAVING CANADIAN EDITIONS OF THE TWO MAGAZINES QUALIFY AS DOMESTIC PUBLICATIONS WHOSE ADVERTISERS CAN CONTINUE CLAIMING TAX DEDUCTIONS FOR ADVERTISING COSTS, MR. FAULKNER SAID. BOTH PUBLICATIONS WILL HAVE TROUBLE MEETING THE INDEPENDENT CANADIAN OWNERSHIP, CONTROL AND CONTENT REQUIREMENTS, HE SAID, BUT TIME'S CANADIAN EDITION WILL BE ESPECIALLY VULNERABLE BECAUSE IT IMPORTS LARGE AMOUNTS OF NEWS CONTENT DIRECTLY FROM THE U.S. PARENT COMPANY, TIME INC. OF NEW YORK. AT THE SAME TIME IT POSES AS A CANADIAN PRODUCT," HE SAID. READER'S DIGEST FACES DIFFERENT PROBLEMS BECAUSE OF THE LICENSING AGREEMENT WHICH REQUIRES OUT-OF-COUNTRY APPROVAL OF EDITORIAL CONTENT IN THE CANADIAN EDITION, HE SAID. THE EFFECT OF THE LEGISLATION WILL BE TO "GET RID OF TIME" BUT THAT THE MAIN AIM IS TO "ELIMINATE EXCEPTIONS IN THE TAX LAW SO THAT CANADIAN MAGAZINES WILL HAVE THE MAXIMUM IMPACT" IN ATTRACTING ADVERTISING REVENUE. END TEXT.

2. COMMENT. AN OFFICIAL IN THE IMMEDIATE OFFICE OF THE SECRETARY OF STATE HAS ADVISED THAT THE SOURCE OF THIS ARTICLE WAS A WIDE-RANGING INTERVIEW GIVEN THE CANADIAN PRESS BY MR. FAULKNER. THE ARTICLE WAS DESCRIBED AS ACCURATE SO FAR AS IT WENT, BUT IT DID NOT COVER ALL THE POINTS MADE BY MR. FAULKNER. HOWEVER, THIS OFFICIAL DENIED THAT THE SECRETARY HAD USED THE EXPRESSION IN THE LAST PARAGRAPH, "TO RID OF TIME", AT ANY TIME DURING THE INTERVIEW.

3. ACCORDING TO THIS OFFICIAL, THE SECRETARY HAS BEEN CONCERNED BY THE VOLUME OF ADVERSE CRITICISM WHICH IS SUGGESTING THAT TIME AND READER'S DIGEST WILL NOT CONTINUE TO BE AVAILABLE TO CANADIANS. HE WISHED TO POINT OUT THAT THEY CAN SO CONTINUE EITHER BY SUBSCRIPTION FROM THE U.S. OR BY THE ADAPTATION OF THE OWNERS TO NEW SITUATION. HE ALSO WANTED TO CLARIFY THE CANADIAN CONTROL POINTS MADE BY MR. BASFORD TO THE CP EARLIER (SEE OTTAWA 644) BY POINTING OUT THAT LIMITED OFFICIAL USE

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PAGE 03 OTTAWA 00741 282322Z

IT WAS EDITORIAL CONTROL THAT COUNTED NOT THE ORIGIN OR SUBJECT OF THE WRITING. THE TORONTO GLOBE AND MAIL, HE POINTED OUT, HAS A HIGH PERCENTAGE OF SPACE DEVOTED TO ARTICLES ORIGINATING ABROAD BUT IT NEVERTHELESS IS CANADIAN CONTROLLED SINCE IT IS CANADIAN EDITORS RESPONSIBLE TO CANADIAN OWNERS WHO MAKE THE DECISIONS AS TO WHAT MATERIAL WILL BE USED. FINALLY, THE SECRETARY WANTED TO COUNTER THE

CAMPAIGN BEING UNDERTAKEN BY THE READER'S DIGEST  
TO STIMULATE MASS MAILINGS TO M.P.'S OF ALL PARTIES  
ASKING THEM TO OPPOSE THE GOC'S DECISION. THIS  
OFFICIAL AGREED THAT THESE PURPOSES WERE INADEQUATELY  
MET BY THE CP ARTICLE AS PUBLISHED IN THE FEBRUARY 28  
GLOBE AND MAIL.  
PORTER

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
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**Control Number:** n/a  
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**Draft Date:** 28 FEB 1975  
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**Disposition Date:** 28 MAY 2004  
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**Type:** TE  
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